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# MARSHALL WELLS LIMITED

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## ANNUAL REPORT

FOR THE YEAR ENDED  
JANUARY THIRTY-FIRST

1968







# DIRECTORS and OFFICERS



## MARSHALL WELLS LIMITED

### BOARD OF DIRECTORS:

R. BRUCE SUTHERLAND .....	Winnipeg
ARNOLD G. KIRKNESS .....	Winnipeg
PHILIP C. FIKKAN .....	Winnipeg
STEPHEN J. COPPINGER .....	Winnipeg
B. FREDERICK DAVIDSON .....	Minneapolis

### OFFICERS OF THE COMPANY:

R. BRUCE SUTHERLAND .....	President
STEPHEN J. COPPINGER .....	Sr. Vice-President
ROBERT G. ROCK .....	Vice-President
WALTER R. GAMBS .....	Vice-President
LEONARD A. HEAD .....	Vice-President
DONALD D. BAILEY .....	Vice-President
E. C. H. PERRIN .....	Vice-President
G. J. STEVENSON .....	Vice-President
CLAYTON A. STEIDL .....	Secretary-Treasurer
REX W. WOOTTON .....	Controller

### MANAGEMENT BOARD:

R. BRUCE SUTHERLAND .....	Winnipeg
STEPHEN J. COPPINGER .....	Winnipeg
WALTER R. GAMBS .....	Winnipeg
ROBERT G. ROCK .....	Winnipeg
LEONARD A. HEAD .....	Winnipeg
DONALD D. BAILEY .....	Winnipeg
CLAYTON A. STEIDL .....	Winnipeg
REX W. WOOTTON .....	Winnipeg
ARTHUR G. JOHNSON .....	Minneapolis

## INTERNATIONAL LABORATORIES (1957) LIMITED

### BOARD OF DIRECTORS:

PHILIP C. FIKKAN .....	Winnipeg
R. BRUCE SUTHERLAND .....	Winnipeg
NORMAN W. CODE .....	Winnipeg
JOHN B. CHEYNE .....	Winnipeg
B. FREDERICK DAVIDSON .....	Minneapolis

### OFFICERS OF THE COMPANY:

PHILIP C. FIKKAN .....	President
NORMAN W. CODE .....	Vice-President
CLAYTON A. STEIDL .....	Secretary-Treasurer

## MARSHALL WELLS REALTY LIMITED

### BOARD OF DIRECTORS:

R. BRUCE SUTHERLAND .....	Winnipeg
B. FREDERICK DAVIDSON .....	Minneapolis
CLAYTON A. STEIDL .....	Winnipeg

### OFFICERS OF THE COMPANY:

R. BRUCE SUTHERLAND .....	President
B. FREDERICK DAVIDSON .....	Vice-President
ROBERT G. ROCK .....	Vice-President
STEPHEN J. COPPINGER .....	Vice-President
CLAYTON A. STEIDL .....	Secretary-Treasurer

### Transfer Agent and Registrar for First Preferred Stock

NATIONAL TRUST COMPANY, LIMITED  
Winnipeg

### Trustee and Registrar for 6% Debentures

NATIONAL TRUST COMPANY, LIMITED  
Winnipeg

### Auditors

PEAT, MARWICK, MITCHELL & Co.,  
Winnipeg



# PRESIDENT'S REPORT



## *To Our Shareholders:*

Net profits from the year's operations ending January 27, 1968, were \$809,243 compared to \$777,189 for the 12 months ending January 31, 1967. This improvement was accomplished during a period of planned transition in which our activities were directed into more profitable areas of the market we serve, while at the same time relieving ourselves of the lower profit segments of that market.

A slightly lower sale resulted but did, as planned, enable us to achieve considerably lower costs and an improved return on these sales. During the year, 2 corporate and 23 new Marshall Wells franchise stores were opened. Our planned program of directing effort to more profitable sales required the closing of a number of units. At the year end, 38 corporate and 284 franchised Marshall Wells stores were in operation.

An aggressive development program continues, directed into the larger and more profitable areas where we are not represented. Some of these locations have already been acquired for opening this year, and we are encouraged by the number of prospects we have for others.

Our industrial division, which represents 41% of our total sales, continues its program of specialization. During the year, the Regina warehouse was converted to this type of operation. Added to Saskatoon and Port Arthur, where these conversions had already taken place, we now have a group of three warehouses of this nature, with highly specialized personnel and facilities to serve the particular requirements of industrial customers.

The servicing of our retail customers previously handled by these warehouses is now handled out of Winnipeg, offering our customers a much broader range and depth of inventory, etc. and also provides the opportunity for considerable economies in operating costs.

The potential of the retail market and availability of capital funds provide a foundation for continuing growth of our Marshall Wells stores program. The disruptive developments in our financial markets have created an atmosphere of uncertainty in capital spending and cautiousness on the part of the consumer. However, with our well-defined plans for growth and ability to control costs, we look forward to a year of expanding activity and profits.

We express our sincere appreciation to our employees who make these results possible, to our customers for their confidence and support, and to our suppliers for their fine co-operation.

R. B. SUTHERLAND, *President*



# AUDITORS' REPORT

## AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Marshall Wells Limited and Subsidiaries as of January 27, 1968 and the statement of consolidated income and retained earnings for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly on a consolidated basis the financial position of the companies as at January 27, 1968 and the results of their operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PEAT, MARWICK, MITCHELL & CO.  
Chartered Accountants

Winnipeg, Manitoba  
March 11, 1968



# MARSHALL WELLS LIMITED AND SUBSIDIARIES

## Consolidated Balance Sheet

January 27, 1968

with comparative figures for 1967

### ASSETS

	1968	1967 (note 4)
Current assets:		
Cash .....	\$ 532,056	288,431
Customers' charge and installment accounts less allowance for doubtful accounts and unearned interest \$687,438 (1967 - \$674,168) .....	4,472,105	4,709,796
Inventories of merchandise, at the lower of replacement cost or net realizable value .....	12,329,398	12,639,667
Special refundable tax installments due within one year .....	5,400	—
Prepaid expenses .....	88,590	106,512
Total current assets .....	<u>17,427,549</u>	<u>17,744,406</u>
Special refundable tax .....	43,187	15,300
Less installments due within one year .....	5,400	—
	<u>37,787</u>	<u>15,300</u>
Investment, at cost:		
Wood Alexander Limited, common shares .....	746,250	746,250
Fixed assets, at cost less accumulated depreciation and amortization (note 1) .....	3,126,811	3,262,171
Deferred charge - unamortized debenture discount .....	428,750	458,750
	<u>\$21,767,147</u>	<u>22,226,877</u>

See accompanying notes to consolidated financial statements.

# BALANCE SHEET

## LIABILITIES

	1968	1967
Current liabilities:		(note 4)
Accounts payable and accrued expenses .....	\$ 2,807,308	2,968,365
Income taxes payable .....	339,297	681,098
Due to affiliated companies .....	3,253,256	3,226,687
Principal installments of long-term debt due within one year .....	2,753	2,595
Total current liabilities .....	<u>6,402,614</u>	<u>6,878,745</u>
Long-term debt :		
6% mortgage due December 1, 1974, repayable in monthly installments of principal and interest of \$336 .....	22,824	25,420
Less principal installments due within one year .....	2,753	2,595
	<u>20,071</u>	<u>22,825</u>
6% sinking fund debentures, Series A, due May 15, 1982 (note 2) .....	4,689,500	5,000,000
	<u>4,709,571</u>	<u>5,022,825</u>
Shareholders' equity:		
Capital stock:		
6½% cumulative redeemable first preferred shares of a par value of \$5 per share. Authorized 1,450,000 shares; issued 1,116,335 shares (note 3) .....	5,581,675	5,581,675
6% cumulative redeemable second preferred shares of a par value of \$5 per share. Authorized 500,000 shares; issued 389,250 shares .....	1,946,250	1,946,250
Common shares without nominal or par value.		
Authorized and issued 400,000 shares - stated value ....	2,000,000	2,000,000
	<u>9,527,925</u>	<u>9,527,925</u>
Retained earnings .....	1,127,037	797,382
	<u>10,654,962</u>	<u>10,325,307</u>
	<u>\$21,767,147</u>	<u>22,226,877</u>

Approved on behalf of the Board:

R. B. SUTHERLAND, *Director*  
S. J. COPPINGER, *Director*





# PROFIT and LOSS

## MARSHALL WELLS LIMITED AND SUBSIDIARIES

### Statement of Consolidated Income and Retained Earnings

Year ended January 27, 1968

with comparative figures for 1967

	1968	1967
Sales, net .....	\$43,025,775	45,345,639
Operating income before charging the undernoted expenses .....	2,602,018	2,642,787
Expenses:		
Directors' remuneration (including salaries as executive officers) .....	60,000	61,500
Legal fees .....	3,566	21,996
Depreciation (note 1) .....	210,682	224,968
Amortization of leasehold improvements .....	1,351	954
	275,599	309,418
Operating income .....	2,326,419	2,333,369
Other income:		
Interest .....	80,681	82,522
Gain on sale of fixed assets .....	17,943	5,075
Dividends .....	15,000	15,000
Miscellaneous .....	9,388	13,521
	123,012	116,118
Other deductions:		
Provision for contribution to retirement security plan .....	256,507	244,641
Interest—long-term debt .....	288,170	307,052
—other .....	260,078	276,312
Debenture discount—net .....	11,433	22,293
	816,188	850,298
Income before income taxes .....	1,633,243	1,599,189
Income taxes .....	824,000	822,000
Income .....	809,243	777,189
Retained earnings, beginning of year .....	797,382	485,825
	1,606,625	1,263,014
Dividends paid - preferred shares .....	479,588	465,632
Retained earnings, end of year .....	\$ 1,127,037	797,382

See accompanying notes to consolidated financial statements.



**MARSHALL WELLS LIMITED AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**January 27, 1968**

1. Fixed assets, at cost less accumulated depreciation and amortization comprise the following:

	1968		1967
Land, at cost .....	\$ 527,144		532,201
Buildings, at cost .....	\$ 3,475,345	3,469,924	
Less accumulated depreciation .....	<u>1,290,240</u>	<u>1,172,294</u>	<u>2,297,630</u>
Equipment, at cost .....	1,394,860	1,366,317	
Less accumulated depreciation .....	<u>1,005,113</u>	<u>953,052</u>	<u>413,265</u>
Land improvements, at cost .....	16,833	17,136	
Less accumulated depreciation .....	<u>4,140</u>	<u>3,614</u>	<u>13,522</u>
Leasehold improvements, at cost .....	15,937	8,017	
Less amounts amortized .....	<u>3,815</u>	<u>2,464</u>	<u>5,553</u>
	<u>\$ 3,126,811</u>		<u>3,262,171</u>

Depreciation has been provided at the undernoted rates on the diminishing balance.

Buildings:	
Frame .....	10%
Other .....	5%
Equipment:	
Automotive .....	30%
Other .....	20%
Land improvements .....	4%

Leasehold improvements are being amortized over the unexpired terms of the leases.

2. The Debenture Trust Deed requires the company to redeem debentures of a principal amount of \$300,000 each year up to and including 1981 and to redeem the balance in 1982.

	1968	1967
Balance outstanding, beginning of year .....	\$ 5,000,000	5,200,000
Debentures purchased during the year for sinking fund requirements in respect of:		
May 15, 1967 .....	—	200,000
May 15, 1968 .....	300,000	—
May 15, 1969 .....	<u>10,500</u>	<u>—</u>
	<u>310,500</u>	<u>200,000</u>
Balance outstanding, end of year .....	<u>\$ 4,689,500</u>	<u>5,000,000</u>

3. Outstanding warrants to purchase 333,665 6½% cumulative, redeemable first preferred shares at \$7 per share were not exercised and expired on May 15, 1967.
4. The figures at January 31, 1967 have been recast to correspond with the classifications adopted in the year under review.

# DIRECTORY

## EXECUTIVE OFFICES

1395 Ellice Avenue, Winnipeg  
President, R. B. Sutherland  
Senior Vice-President, S. J. Coppinger  
Vice-President, retail operations, W. R. Gambs  
Vice-President, industrial sales, L. A. Head  
Vice-President, merchandising, D. D. Bailey  
Secretary-Treasurer, C. A. Steidl  
Controller, R. W. Wootton

## MERCHANDISING BRANCHES

Winnipeg	1395 Ellice Ave.	Vice-President and Manager, R. G. Rock
Sub-warehouse at Port Arthur		
Regina	8th and Hamilton Streets	Manager, G. E. Williams
Saskatoon	25, 33rd Street	Manager, G. S. Clark
Sub-warehouse at Prince Albert		
Calgary	4040 Blackfoot Trail	Manager, W. J. Faulkner
Edmonton	10360, 103rd Street	Vice-President and Manager, G. J. Stevenson
Sub-warehouse at Grand Prairie		
Vancouver	549 - 573 Carrall Street	Vice-President and Manager, E. C. H. Perrin
Sub-warehouses at New Westminster and Prince George		

## MANUFACTURING SUBSIDIARY

### INTERNATIONAL LABORATORIES (1957) LIMITED

St. Boniface	490 Rue Des Meurons	Vice-President and Manager, N. W. Code
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## REAL ESTATE SUBSIDIARY

### MARSHALL WELLS REALTY LIMITED

1395 Ellice Avenue, Winnipeg









# MARSHALL WELLS LIMITED